

Amazon as a global sales channel for small and medium size Finnish companies.  
Case study: ROBBO FINLAND Oy

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<p>Due to the fast-developing communication, social networks, digital marketing, online sales start to play a more and more important role in total sales revenue, profit generation and brand awareness for many businesses. E-commerce allows to reach global foreign markets not only for big corporations but also for small and medium size companies. For some Finnish companies, a local market might seem to be relatively small and limited for their growth and therefore, considering global e-commerce sales channels might be a solution for them.</p> <p>At this moment, a market-place Amazon has a leading position as a global marketplace all over the world and as an online sales channel for thousands of businesses worldwide including Finnish ones. Amazon plays an important role in a daily global ecommerce business due to the high level of customer loyalty, easy and understandable fulfilment options for third-party sellers.</p> <p>The main aim of this thesis is to collect data and gain knowledge on what opportunities Amazon marketplace might offer to a small size Finnish company ROBBO Oy. The key outcomes of this research are Amazon competitive niche analysis, product launch potential and business strategies and recommendations for a case company to successfully enter the US market by launching products on Amazon.com.</p>	
<b>Keywords</b> Amazon, FBA, online market place, e-commerce, fulfilment by Amazon, product launch, Amazon.com, export	

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## **1 Introduction**

Recent global changes in technologies and communication affect more and more on our daily life and our habits as well as it affects businesses all over the world. The situation is not the same in different countries or markets, therefore some countries meet the changes earlier and others later. One of the aspects of global changes is developing of a global trade and global e-commerce. Amazon inc. is one of the e-commerce giants who operates globally and influence on the global business. This company offer well organised marketplace with millions of customers to businesses located all over the world. Therefore, this company might be considered as a potential global sales channel for businesses in Finland

### **1.1 Aim and objectives**

The aim is to determine whether Amazon marketplace can be considered as a potential global sales channel for Finnish companies. Global trends information and case study of a small size Finnish company will allow to me to come conclusions and recommendations

### **1.2 Research questions and sub-questions**

1. Whether small or medium size company located in Finland is capable to enter Amazon marketplace and start this sales channel as a third-party seller?
2. Does the case company have a product which has potential to be successfully launched and sold on Amazon?

To answer these questions, I will research the information provided by Amazon Inc. Terms of cooperation and offers available for small and medium size companies, located outside of USA and also to answer the following sub-questions:

- Why this sales channel might be considered as a potential one? Which factors should be taken into consideration by SMEs to answer this question? How company strategy might affect the decision?
- How to get to know whether the product which company offers can be considered as potential one and will be selling on Amazon successfully?
- How to plan a project aimed to join Amazon marketplace and how calculate and estimate an outcome from the project? How reliable the calculates might be?

To answer these questions, I will be in contact with case company and collect the data.

Then I will create and implement a product research and niche analysis method which can be used as a tool not only for the case company but also as a base template to other businesses too. After that I will give recommendations to the case company based on the research and analysis outcome.

### **1.3 Case company**

ROBBO FINLAND Oy. This company is developing and producing educational robots, implementing studying programs. "ROBBO is created by an international team of professionals and creative people from Finland and Russia." – [www.robbo.world](http://www.robbo.world)

ROBBO FINLAND OY is a subsidiary of the main Company ROBBO, which was established in Russian Federation 19 years ago and has deep knowledge and expertise in robotic. Several years ago ROBBO established a company in Finland and started international project of educational robots production and sales of robot sets and educational materials for educational institutions. This company has positive reviews from different organisations:

"According to our research the ROBBO products are easy to use and adaptive tools for teaching programming to users at different levels. In addition to programming, ROBBO teaches environmental studies and all-around useful skills, in particular when the exercises of the pedagogical guide are being utilized." – Innokas Coordinator Faculty of Educational Sciences, University of Helsinki

"It's like cardio for the brain! Programming and robotics is challenging but interesting, and my interest for technology has certainly increased." – 3<sup>rd</sup>-4<sup>th</sup> Grade teacher, Innokas instructor.

ROBBO FINLAND Oy was established in 2018 and had a turnover 40000 Euro in 2018 and profit 8000 Euro in accordance with open source Kauppalehti.

## Taloustiedot

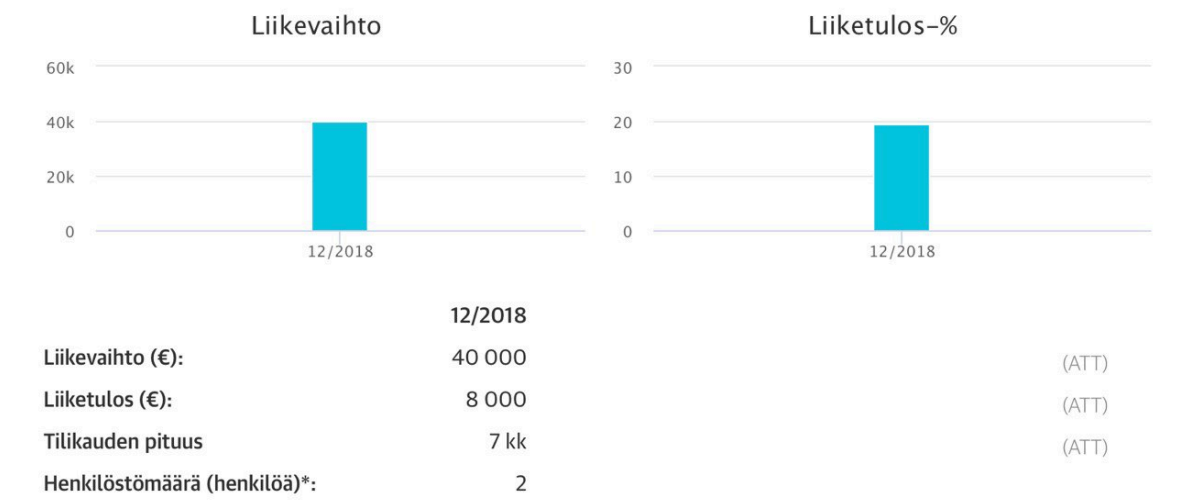


Figure 1. ROBBO FINLAND Oy. General financial information. (Kauppalehti.fi)

ROBBO currently produces two main products called Lab and Robot Kit.

These robots are aimed to help to learn robotics and programming in practice and based on physics. Together with a software and curriculum offered by a company as educational pack this product is mix of the physical and intellectual products working together to achieve the best possible educational and entertainment results.



Figure 2. drawing of ROBBO product: Lab

“Lab is a very easy robot to enter the world of technology. This robot is not able to move on its own, however, it can definitely bring you closer to understanding such phenomena as e.g. sun light and sound. The Lab is a fun way of experimenting while combining numeric values, physics, robotics and programming. Robot kit is a comprehensive robot construction kit with five simple magnetic-mount sensors and led light. By mixing and combining sensors you can replicate any technology that surrounds you, from smartphone to refrigerator. The Robot kit combines science with unlimited amount of creativity”. (<http://www.robbo.world>)





Figure 3. Drawing of ROBBO product: Robot Kit

ROBBO FINLAND Oy is aiming to reach international markets as well as local market of Finland and looking for consumers, B2B customers as well as educational institutions. In accordance with company plans to grow globally Amazon might be considered as one of the potential channels to cover market of USA and Europe to reach its consumers as well as business customers who visit and purchase on Amazon marketplace. Besides, Amazon might be considered as an additional way of brand development and creating of a trust by collecting and accumulating customers reviews placed on Amazon.

## **2 E-commerce and marketplaces in a globalized world**

Electronic commerce is a concept which describes a process of buying, selling or exchanging products, services or information via internet or other ways of telecommunication (In Lee 2012, 4)

### **2.1 Definition of e-commerce**

Definition of e-commerce describes it as only selling and buying transactions. There is also an e-business which can be used for definition not only buying and selling of goods and services but also collaboration with business partners, e-learning via internet. (Turban 2010, 187)

E-commerce is also described differently depending on aspects such as:

**Communications:** E-commerce is a delivery of information such as products, services and orders via internet globally

**Business process:** E-commerce a way to improve an automation process and increase workflow.

**Service:** E-commerce meets the requirements of businesses and consumers to cut down costs for transaction and improve quality of goods/services

**Online:** E-commerce gives and an opportunity to buy/sell products and services quicker via internet independently from a location.

(Bhusry 2012 p.3)

**Legal:** E-commerce is a concept which covers any commercial transactions that is effected via internet.

### **2.2 Classification of e-commerce**

There are minimum seven types of e-commerce classified depending on way of interaction. Efraim Turban classified directions of e-commerce in a book "Electronic commerce":

#### **Business-To-Business (B2B)**

E-commerce where all the parties are businesses or organizations

#### **Business-to-consumer (B2C)**

The E-commerce model includes retail transactions for sales products or services from businesses to consumers

### **Business-To-Business-To-Consumer (B2B2C)**

This E-commerce models describe a relationship between a business which provides a product or service a client business. Client business has its own customers who might be its own employees consuming provided product or service.

### **Consumer-To-Business (C2B)**

This is an e-commerce model where individual use internet to provide products or services to businesses or organizations

### **Intrabusiness E-commerce**

This e-commerce model describes internal transactions inside the organization, such as exchange of goods, services or information

### **Business-To-Employees (B2E)**

This e-commerce model is a subset of intrabusiness category, in which business delivers products, services or information to individual employees.

### **Consumer-To-consumer**

In this E-commerce model individuals interact directly to other individuals.

E-commerce model might not be only consisted of one type but can be a mix of several. Besides, the business might use and operate in several types of e-commerce depending on its needs and business strategy.

## **2.3 Opportunities of e-commerce**

In accordance with Kantar Worldpanel e-commerce report online shopping of Fast Moving Consumer Goods (FMCG) has become a normal part of consumer shopping behaviour. All businesses now understand that for consumers their shopping experience a combination of digital, social and physical experience.

Author of the article (Future of E-commerce in FMCG, 2018) Stephane Roger believes that for retailers and brands an investment in growing online business is crucial. He sees e-commerce not as a sales channel which is aimed to replace offline sales channels but is concerned how online and offline channels together can create better efficiency and customer experience.

In according with Statista.com data, global e-commerce sales are constantly growing and are expected to reach 4,88 trillion US dollars in 2021. Online shopping is considered as one of the most popular online activity globally. (Statista.com)

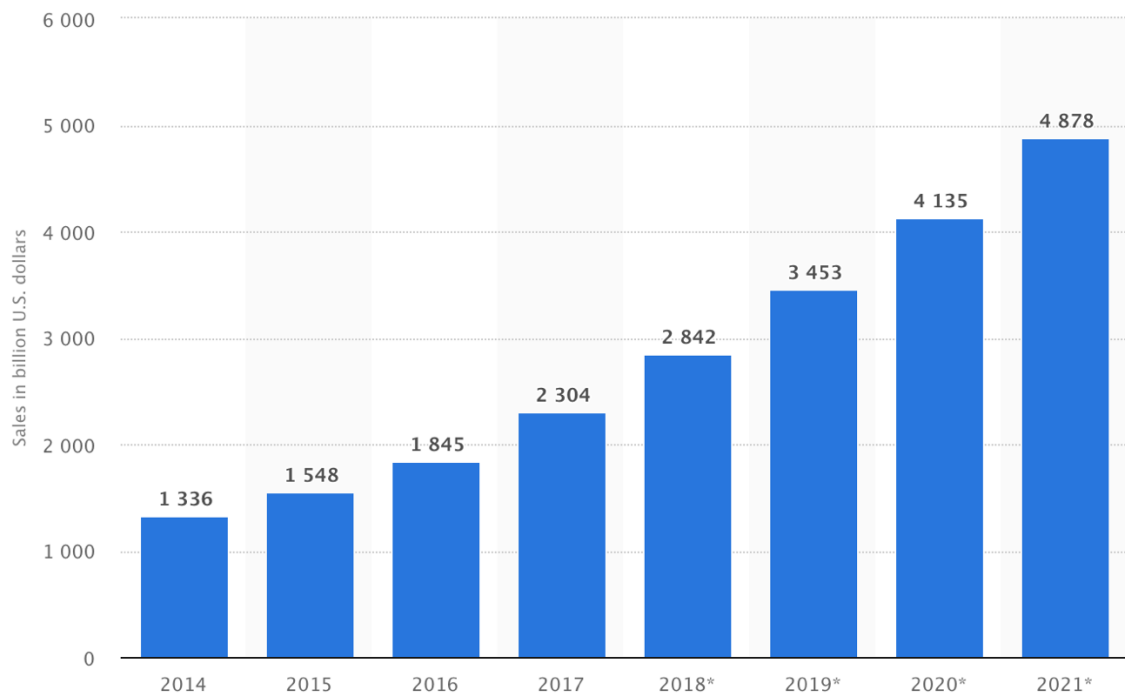


Figure 4. E-commerce sales statistics and estimations

But situation varies depending on markets. Helsinki times journal in one of its articles from 2014 said that regarding Google study Finnish retailers are being late to compare to other Nordic countries in terms of an ability of online marketing and attracting customers. They added that businesses in Finland struggle with generating of a revenue from online export. "Foreign companies sell to Finns through the Internet. There's nothing preventing Finns from doing the same," was stated by Anni Ronkainen, Google's country manager for Finland in 2014.

## 2.4 Amazon

Amazon Inc. is a global e-commerce platform which sell own products and allows third-party sellers to sell new or used products. Third-party sellers gain an access to whole Amazon customer base and Amazon has an opportunity to develop its marketplace product range without investing in own inventory.

Items sold on Amazon are fulfilled by merchant (FBM) or fulfilled by Amazon (FBA).

FBM goods are sold on Amazon marketplace and being shipped from a third-party seller warehouse, but FBA goods are being fulfilled and shipped by Amazon staff. (Wikipedia 2019).

Founded in 1996 Amazon became one of largest marketplaces over 20 years. “This year, Amazon became the fastest company ever to reach \$100 billion in annual sales” (Bezos 2016)

#### **2.4.1 Amazon Business model**

Amazon has grown by connecting two businesses together: “brown boxes” – retail shop for consumers and “APIs” – platform for third-party sellers. This is a part of culture, which Amazon created.

“You can write down your corporate culture, but when you do so, you’re discovering it, uncovering it—not creating it” – J. Bezos wrote.

Amazon operates with several main business activities. The company sells goods directly. Most consumers who visit Amazon website assume that the prices for the products online are less expensive and are available for purchase and shipping.

Besides, Amazon provides a platform to other retailers to sell products to buyers. Amazon does not charge a fee to become a partner but charges a fee from sales as a commission.

Also Amazon implemented and currently maintains a subscription-based business model through its Amazon prime service. Prime subscribers pay annual fee for a free two-day or same day shipping (Investopedia 2019).

#### **2.4.2 Order fulfilment options**

Amazon offers two fulfilment options for third-party sellers: FBA (fulfilment by Amazon) and FBM (fulfilment by merchant).

FBA program allows to third-party seller to store all their product at Amazon fulfilment warehouse in a country of sales Amazon provides. Amazon fulfils the orders made on Amazon marketplace and ships to the customers.

FBM program means that third-party sellers fulfil the orders and dispatch the parcels from their warehouses.

Fulfilment by Amazon is one of the biggest, fulfilment program with chain of many warehouses connected by a common logistic process in order to receive, store and fulfil orders received by Amazon and its partners. FBA allows to third-party sellers to delivery they products from any location all over the world as a bulk shipment which Amazon receive, store, sort, and pack in order to prepare each item to be sold and shipped in time to customers. FBA provides fulfilment of products sold on Amazon marketplace as well as of other sales channels. Besides, FBA deals with customer returns which allows to Amazon partners be independent from the location of their operation and does not require them to manipulate the products physically.

Amazon takes fee for storage and fulfilment for products. Fee depends on several parameters of product such as category, dimensions and storage conditions.

Fulfilment for merchant (FBM) is a program with allows to third-party Amazon sellers to use Amazon marketplace as a sales channel but fulfil the products from their own location or any other than Amazon warehouse. Amazon does not take any fee rather than a commission for a sale on its marketplace, but seller is responsible for a shipping process and customer returns.

### **2.4.3 Advantages and disadvantages**

Amazon sellers have the following benefits from participating in FBA program:

- products are eligible for Amazon Prime free Two-Day Shipping, FREE Shipping, and other benefits. It gives an access to a wide customer base of Prime Subscribers, free Two-Day Shipping, and all Amazon.com customers can get free shipping on eligible orders.
- Customers get Amazon's trusted customer service and returns.
- FBA handles customer service and returns for Amazon.com orders.

“Pay as you go—you are charged for storage space and the orders we fulfil. The cost of shipping is included in your fees, with no extra charge for Amazon Prime free Two-Day

Shipping and free shipping on eligible orders. Fees for Selling on Amazon and optional services may apply.” (Services Amazon 2019)

ROBBO FINLAND Oy has physical products which need to be considered to apply for FBA program or use FBM. Also, there is an option to use both programs. Therefore, based on the advantages and disadvantages information the representatives of the case company can evaluate it and make a decision which option would be suitable for a better operation of the company and more outcome.

<b>Advantage</b>	<b>Disadvantage</b>
Fast delivery for local customers	Poor controls over shipping process
Shipping reliability	No visual control of the products being shipped(defects)
Ability to store and ship the products locally instead of using of international shipping	Extra Amazon fees on products storage and fulfillment
Amazon manages returns	Impossibility to modify the product being stored (update package, labels)
Amazon covers risks on lost packages and warehouse damages	Expensive product return in case of inability to sell on marketplace
	Strict guidelines on how to prepare and ship the items to Amazon fulfillment center
	Sales tax compliance
	Poor branding opportunities

Table 1. Advantages and disadvantages of Fulfilment by Amazon

<b>Advantage</b>	<b>Disadvantage</b>
More freedom to run a business	Longer and more expensive international shipping might decrease the sales conversion
More opportunity to build and independent brand	Taking risks on shipping and returns
Better control of a shipping process	Being responsible for following Amazon guidelines for orders fulfilment

Ability to modify or update products being stored (package, labels)	Extra resources are needed to handle shipping orders and managing returns
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Table 2. Advantages and disadvantages of Fulfilment by Merchant



### **3 Research approach and methods**

The empirical part of this thesis describes the research methods used, data collection and analysis process. The implemented approach is qualitative, and the research methods are selected based on the thesis subject, research questions, and theoretical part. The used methods will help the author of this thesis to collect the relevant data to answer the research questions and present the collected and analysed data to the reader and commissioner.

#### **3.1 Research methods**

To cover thesis' topic and meet the aims of the researcher in the best possible way, it is important to identify the most relevant approach to collect and analyse the data. (Quinlan 2011, 108-110) Such forms of research methods can be used for the above-mentioned purposes: surveys, individual or group interviews, observations, benchmarking, experiments and others. According to Dahlia, each research method serves different purposes, has its advantages and disadvantages, thus needs to be prioritized properly before the data collection process starts. (Dahlia 2011)

To be able to answer the research methods and understand the potential of the commissioner's product to be successfully launched on Amazon.com the author will use the qualitative research methods: a semi-structured interview and competitive analysis. These methods are used in order to gather most relevant and actual data which can be applied to the particular case company to get the most accurate results.

A qualitative research is a scientific method of observation to gather non-numerical data. (Earl, 2014, 303-304). Qualitative methods are mainly used when trying to find an answer to such questions as "why" and "how" in contrast to the quantitative methods answering questions "what", "when", "who" or "where".

Qualitative research methods include such techniques as structured, unstructured or semi-structured interviews, observations or case studies. The sample size is usually small and more focused on motivation, reasons or opinions of individuals. (Saunders 2009, 138) Another research method used in this thesis is a competitive analysis. Elmuti and Kathawala mention that brands can benchmark themselves against their competitors or internally, for example among different departments. (Elmuti & Kathawala 1997, 231) Types of benchmarking can vary based on the company needs and goals. In this research, a competitive benchmarking will be used. Such type of benchmarking aims to improve the product or service by evaluating the brand's position in the market and defining industry leaders. Infor-

mation about competitors' products or services is limited because external sources are primarily used in the competitive analysis. (Patterson 1996, 4; Tuominen & Niva 2011, 5). The author though highlights importance of using competitive analysis in this case study to be able to collect, analyse and evaluate ROBBO's position and chances to successfully enter Amazon.com. Based on the findings, it will be possible to come up with a better and more relevant product launch recommendations.

### **3.1.1 Interview**

In my research I collected the primary data from the interview of the representative of the case company in order to understand their needs and plans for company growth and why they are interested to join Amazon platform. Also, it was important to get to know about their products and its competitive advantages, about customer segment and markets they would like to be presented in.

The topic of the interview, questions and the results of the interview are based in the theoretical part of the thesis.

Collection data process started in March 2019 and finished in April 2019. 2 meetings with CEO ROBBO FINLAND OY Maria Hakkarainen have place to be 9th of March and 16th of April.

The first interview took place in the office of ROBBO FINLAND OY at address Pasilankatu 2, Helsinki. The aim of the interview was to get to know more about the company and its plans, regarding international sales and Amazon marketplace presence.

To arrange the interview and collect need information was prepared a list of the questions which is added as an appendix 1.

It took 30-40 minutes to collect the information and get to know more about the company, its history and structure. Answers to the question allowed to understand more deeply how company sees its development, plans for future grows, new potential markets to enter. Besides, it was important to get to know company's current sales channels and customer segments.

Maria became CEO since the establishment of the company in 2018 and was aware about the company processes and business strategy and could answer all questions regarding

the company and most of the questions regarding Amazon. But she could not answer the question regarding product details and it was agreed to set a new meeting again later on.

The second interview took place in Espoo, Shopping center "Entresse" with Maria Hakkarainen, CEO ROBBO FINLAND Oy. The aim of the interview was to collect a detailed data about the product which the company would like to sell on Amazon marketplace. Interview questions are added as an appendix 2.

Some of the information was prepared in advance and was given in a written form. All the required questions were answered, and the interview took 20-25 minutes.

Some additional questions were asked to Maria's colleagues via the phone during the meeting.

### **3.1.2 Competitive analysis**

Analysis is made based on collected data from interview, public pages of Amazon.com marketplace, commercial software: Helium10.com, amzscout.net

#### **Income data:**

Product name:

Robot Coding Kit – It is a set on two main products described above in a case company chapter: Lab and Robots kit

Product dimensions:

29 x 19 x 11 cm/

11,4 x 7,4 x 4,3 inches

1200 gr

2,6 pounds

### Calculation of logistics costs, Amazon storage fee

In order to correctly calculate a gross margin, it is required to operate logistics costs. Therefore, it's used shipping price data, given by the company during the second interview

	Shipping Finland - USA
From 100 kg	2,90 euro / kg
From 1 kg	6 euro / kg, min 25 euro
Customs clearance (export)	40 euro per shipment

Table 3. Shipping costs and customs clearance

Keyword	Requests per month
STEM toys	18,488
Robots for kids	17,326
arduino uno	11,884
Stem toys for boys	10,725
arduino kit	5,972
robot toy	5,797
coding for kids	4,140

Table 4. 7 relevant high-volume keywords (Helium10)

Helium10 is a world leading analytical software aimed to help Amazon sellers to parse and track data from Amazon website. In this analysis Helium10 was used to do relevant keyword search and find actual competitors currently selling on Amazon.

## Average monthly turnover

Competitors for this product place their listings in the Toys & Games category and Robotics Kits subcategories; Early Development Science Toys; Remote- & App-Controlled Figures & Robotic Toys:

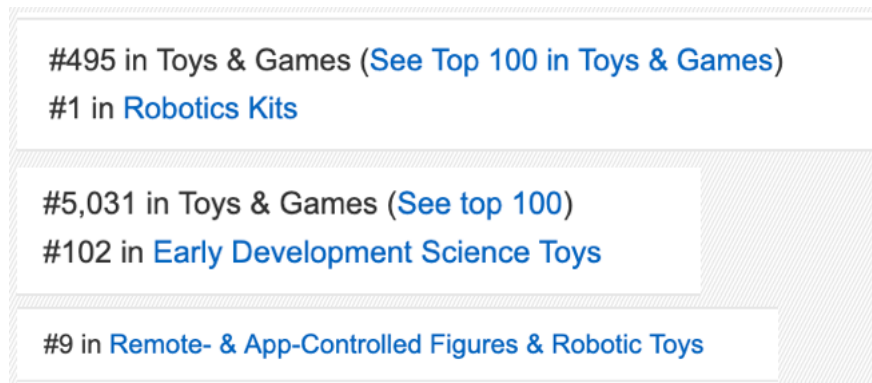


Figure 4. "Best seller rank" (Amazon.com)

Monthly turnover of coding sets for the most relevant request

"Robots for Kids"

on 1 page Amazon, on June 1, 2019, averages out for each of 55 sellers is \$36 879 (Amzscout.net 1a).

## Sales quantity (items) per month

Sales of coding kits on the first page (key request "Robots for Kids") start from 2 units and reach up to 6510 units per month.

The average number of sales per seller on the first page of issuance is 502 units per month. The data are based on approximate sales of competitors selected from the first page according to the parameters and sets most similar to the product being studied (buttons, remote control, led lights, sensor, potentiometer, speaker). (Amzscout.net 1b).

## Estimation of product demand level.

Despite the small number of inquiries for the main key inquiries, the level of demand for this product is estimated as high.

This product has a low average rating by reviews of 3.53 (minimum 2.8, maximum 5.0). However, 45 out of 55 product items have a rating higher than 4.0 - customers are generally satisfied with the product items presented.

The niche has a wide price range from \$39.99 to \$349.00 depending on the complexity of the design of the robots, functionality, quality of the materials used, as well as the brand's popularity on the market.

#### Amazon fee in the niche

	Amazon fee		
Brand	LEGO boost	ROBBO	LEGO mindstorms
Retail price	159,95\$	483,00\$	314,99\$
Amazon sales fee	29,90\$	72,45\$	47,25\$
Amazon storage and FBA fee	10,79\$	5,26\$	10,79\$
Total Amazon fee	40,78\$	77,71\$	58,04\$

Table 5. Competitors in the niche (Amzscout.net 1c)

#### Niche competitiveness general estimation.

Table 5. Competitors in the niche

Title	Bullet points	Description pictures	Pictures	Niche money distribution	BSR of TOP3	Listing with other sellers	Strong brand on a 1st page
Average	Average	Good	Average	3 sellers	12 4723	10/10	yes

					573		
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Table 6. Competitors in the niche (Amzscout.net 1d)

Minimum reviews on page 1	Average reviews on page 1	Maximum reviews on page 1
0	96	674

Table 7. Reviews analysis (Amzscout.net 1e)

### Top 5 best sellers in the niche

Brand	Category	Product rank	Monthly turnover	Price	Monthly sales	Reviews	Reviews rating	Seller
<b>Wonder Workshop</b>	Toys & Games	4723	\$437,371	\$149.99	2916	459	4.2	AMZN
<b>Sphero</b>	Remote- and App-Controlled Figures & Robotic Toys	965	\$87,808	\$41.07	2138	310	4.2	FBA
<b>UBTECH</b>	Remote- and App-Controlled Figures & Robotic Toys	42731	\$137,660	\$83.99	1639	38	4.8	AMZN
<b>Wonder Workshop</b>	Toys & Games	67808	\$437,371	\$199.99	897	84	3.4	AMZN
<b>LEGO</b>	Toy Building Set	9494	\$100,449	\$159.95	628	183	4.1	AMZN

Figure 6. 5 best sellers in the niche

### Wonder Workshop Description

These robots have won dozens of toy and educational awards and are being used in over 20,000 classrooms worldwide.

Extend the possibilities even further with Sketch Kit, Building Block Connectors, and more from Wonder Workshop. Playtime- Up to 5 hours. Standby Time- Up to 30 days. Charging- via Micro USB. Connectivity-Bluetooth Smart 4 / LE

<https://www.amazon.com/dp/B00SKURVKY>

### Sphero Description

Sphero Mini App-Enabled Programmable Robot Ball has the following features:

- Drive - Drive Mini several ways with the Sphero Play app – Joystick, Tilt, Sling-shot, or Face Drive.;Top speed 1m/s
  - Gaming - Sphero Mini can be used with the app as a video game controller. Play 3 games with more updates on the way.
  - Coding - Download the Sphero Edu app and program your Sphero Mini bot using JavaScript.
  - Interchangeable Shells - Colorful, interchangeable shells allow you to switch one out to suit your mood.
- <https://www.amazon.com/dp/B071RHYKDL>

### **UBTECH description**

UBTECH JIMU Robot Builderbots has main features which make it stands out:

- Learn to use Blockly coding to program your robot to navigate obstacles, carry objects, create colour effects and more.
- Create entirely new, custom actions with the PRP (pose, record, play) function.
- No tools required – our 3D, 360° animated building instructions walk you through the steps.
- Includes 410 snap-together parts, 2 smooth motion robotic servo motors, 2 DC motor, 1 ultrasonic sensor & rag light, 1 main control box. USB cable and quick start guide included.
- JIMU Robot is the award-winning interactive robotic building block system for ages 8 and up. Awards include Tillywig 2018 Brain Child Award, CES 2017 Innovation Awards honoree, Time to Play Magazine 2016 holiday most wanted list, and IFA awards 2015 best of show.



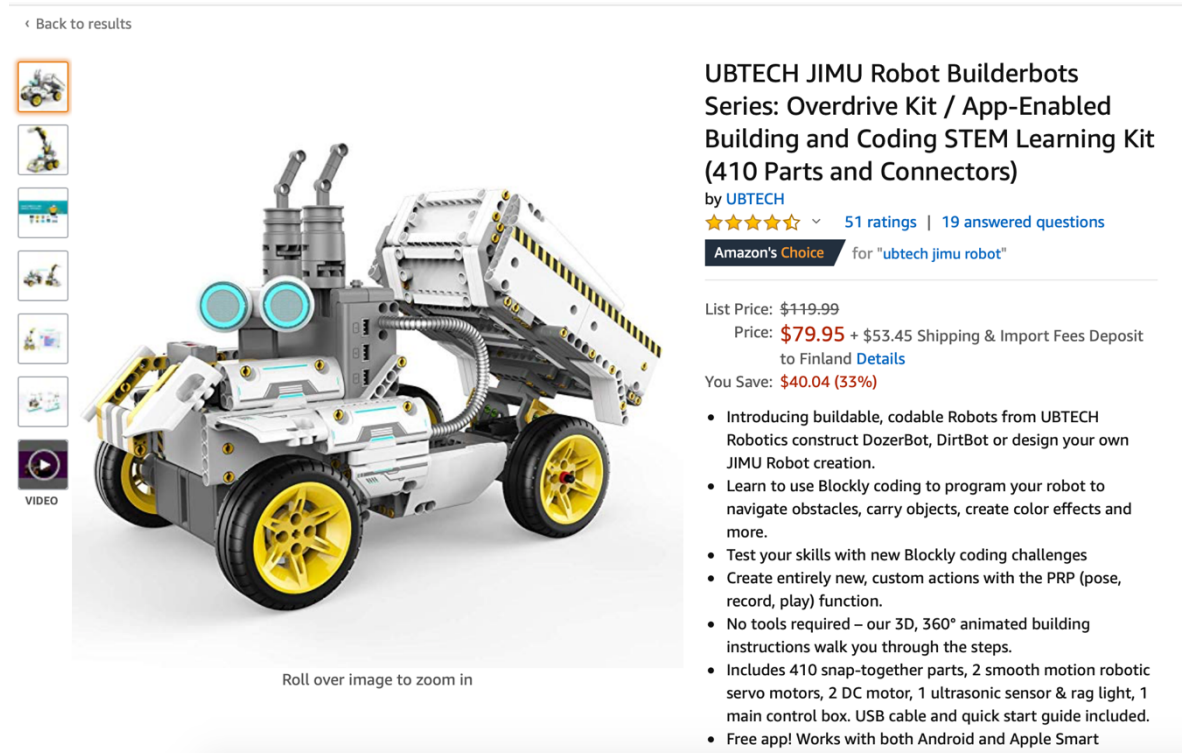


Figure 7. UBTECH JIMU Robot Builderbots product listing page (Amazon.com)

## Wonder Workshop Description

### Coding Robot For Kids 10+ – STEM Learning

The first learning robot designed to teach real, multifunctional code at any level of experience. Designed for kids 10+, cue engages intuitively with text-based communication. It has the following features:

- Three ways to learn coding: Cue robot engages kids as they build coding proficiency by transitioning from Block-Based coding to text-based JavaScript. We've also included Wonder, a state machine-based language designed specifically for our Robots.
- Interactive AI: with four unique personality Avatars that you can try, Cue is a comedian trapped inside a robot's body. Cue can chat with you about books or tell you jokes and has a vocabulary of over 170,000 words and 30,000 text responses.

<https://www.amazon.com/dp/B07482NS7B>

## LEGO Description

LEGO Boost Creative Toolbox 17101 Fun Robot Building Set and Educational Coding Kit for Kids. The fun and easy entry to building and coding smart toys for boys and girls aged

7+. By downloading the free LEGO Boost app and following the step-by-step instructions, kids can learn how to master programming robots all by themselves.

- Includes 847 LEGO pieces that kids can build and rebuild into 5 cool multi-functional models. The best and most popular robotics toys for 7-12 year old boys and girls who love to tinker and learn about science. Use the latest tech like color, distance and tilt sensors.

- Construct and code Vernie the Robot to dance, rock out on the Guitar4000, foster Frankie the Cat, interact with the Autobuilder, or explore a new discovery with the M.T.R.4 (Multi-Tooled Rover 4). The IQ-boosting activities are endless!

<https://www.amazon.com/dp/B06Y6JCTKH>

## Minimum, average and maximum price in the niche.

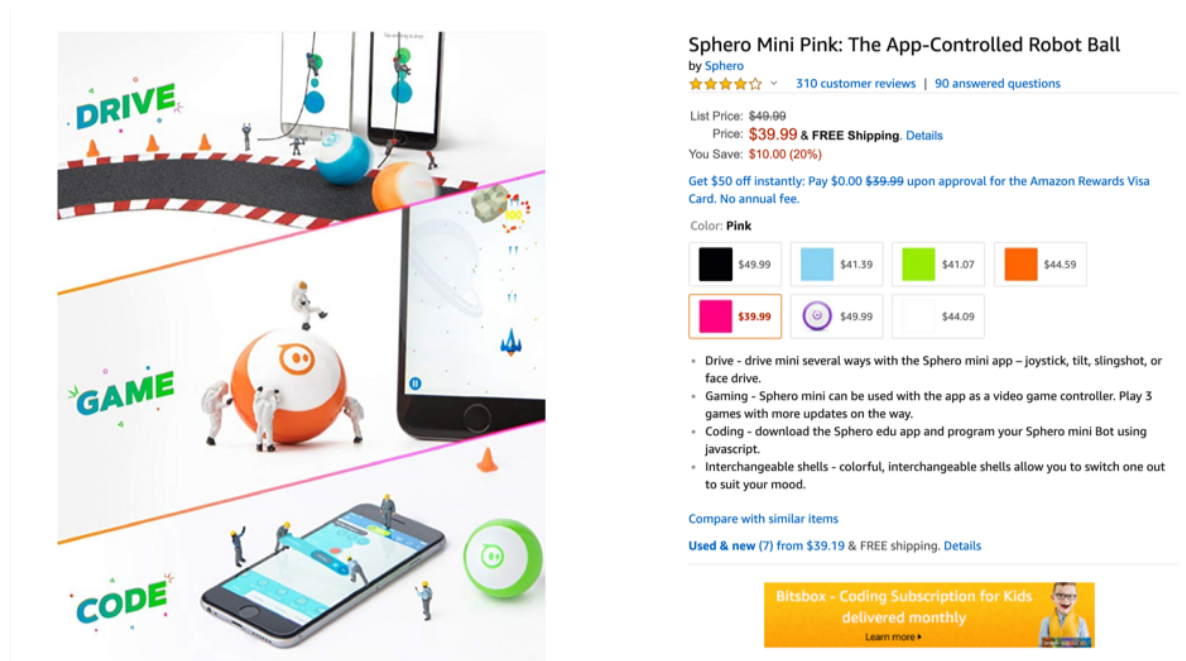
### Minimum Price

#### *Sphero mini*

The minimum price is \$ 39.99,

Estimated sales of 2138 pcs / month

Link:<https://www.amazon.com/dp/B072B6RKCT>



**Sphero Mini Pink: The App-Controlled Robot Ball**  
by Sphero  
★★★★☆ 310 customer reviews | 90 answered questions

List Price: \$49.99  
Price: **\$39.99 & FREE Shipping** Details  
You Save: \$10.00 (20%)

Get \$50 off instantly: Pay \$0.00 \$39.99 upon approval for the Amazon Rewards Visa Card. No annual fee.

Color: **Pink**

Black \$49.99	Blue \$41.39	Green \$41.07	Orange \$44.59
<b>Pink \$39.99</b>	Purple \$49.99	White \$44.09	

- Drive - drive mini several ways with the Sphero mini app – joystick, tilt, slingshot, or face drive.
- Gaming - Sphero mini can be used with the app as a video game controller. Play 3 games with more updates on the way.
- Coding - download the Sphero edu app and program your Sphero mini Bot using javascript.
- Interchangeable shells - colorful, interchangeable shells allow you to switch one out to suit your mood.

Compare with similar items  
Used & new (7) from \$39.19 & FREE shipping. Details

Bitsbox - Coding Subscription for Kids delivered monthly  
Learn more ▶

Figure 8. Screenshot of a Sphero mini product listing page (Amazon.com)

## Average price

Makeblock mBot robot kit

Price – \$69,99 (lightning deal \$50,00), Estimated sales of 306 pcs/month

Link: <https://www.amazon.com/dp/B00SK5RUQY>

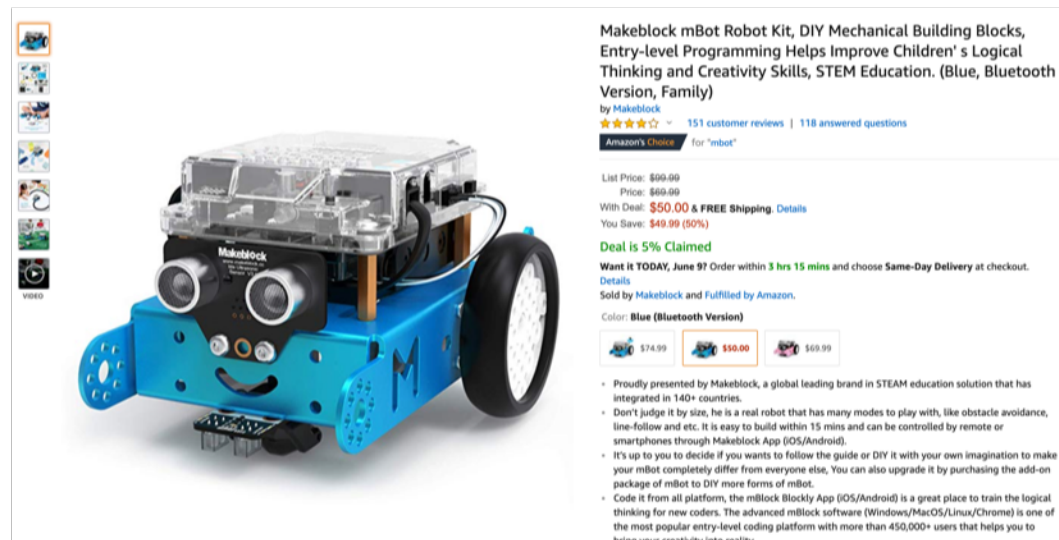


Figure 9. Makeblock mBot Robot Kit product listing page (Amazon.com)

## UBTECH JIMU Robot

Price - \$71,49, Estimated sales of 1285 pcs/month

Link: <https://www.amazon.com/dp/B07GQDTZMR>

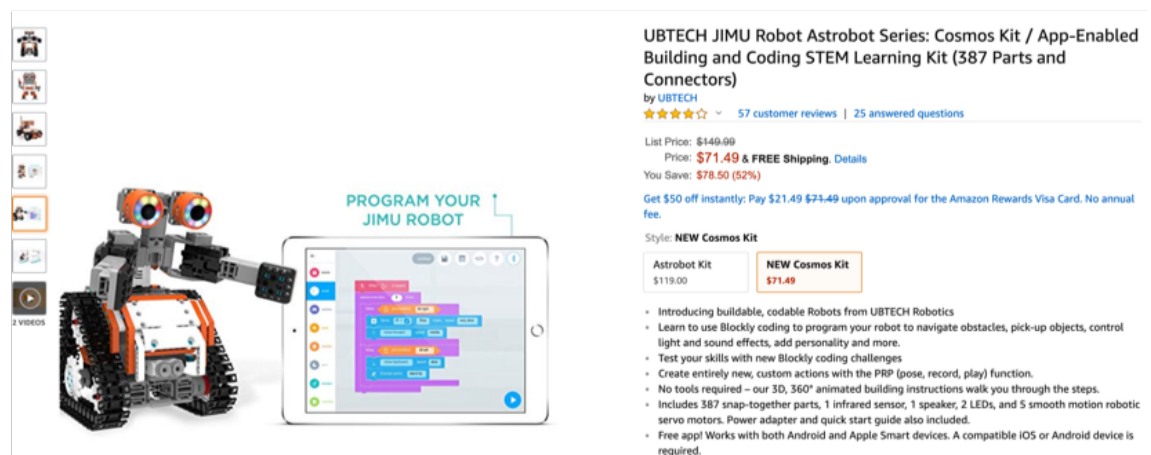


Figure 10. UBTECH JIMU Robot product listing page (Amazon.com)

## **Maximum price**

Makeblock DIY Ultimate robot kit

Price – 349,00\$, Estimated sales of 9 pcs/month

Link: [https://www.amazon.com/Makeblock-DIY-Ultimate-Robot-Kit/dp/B00W6Y0Z4E/ref=olp\\_product\\_details?\\_encoding=UTF8&me=](https://www.amazon.com/Makeblock-DIY-Ultimate-Robot-Kit/dp/B00W6Y0Z4E/ref=olp_product_details?_encoding=UTF8&me=)

## **Marketing costs calculation on Amazon marketplace**

The traffic for the main key queries on Amazon is characterized as average - for most key queries the cost per click is \$0.22 - \$1.05. Such a gradation of prices allows you to include ads with a larger daily budget and receive more impressions in the search results of Amazon, which, with relevant traffic, will convert more sales.

With such rates per click on an advertising campaign inside Amazon, an average monthly budget of \$1,000- \$ 1,500 is laid down, but it also depends on the number of units in a batch. Payment of advertising costs from the seller's account is mainly due to the goods sold.

An advertising campaign is needed primarily for collecting statistics on keywords and setting up targeted traffic in the future.

The following slide shows information on search query rates received from the seller's central on Amazon.

Keyword	Match type ⓘ	Suggested bid ⓘ	Apply all	Keyword bid ⓘ	Remove all
stem toys	Exact	\$1.00 i \$1.00-\$1.00	Apply	\$ 1.00	Remove
arduino uno	Exact	\$0.75 i \$0.55-\$0.75	Apply	\$ 0.75	Remove
arduino kit	Exact	\$0.55 i \$0.55-\$0.55	Apply	\$ 0.55	Remove
robot toy	Exact	\$0.75 i \$0.34-\$1.00	Apply	\$ 0.75	Remove
coding for kids	Exact	\$1.05 i \$0.22-\$1.05	Apply	\$ 1.05	Remove
coding for beginners	Exact	\$0.69 i \$0.69-\$0.69	Apply	\$ 0.69	Remove
coding robot	Exact	\$0.40 i \$0.40-\$0.40	Apply	\$ 0.40	Remove
coding games for kids 8-12	Exact	\$0.69 i \$0.69-\$0.69	Apply	\$ 0.69	Remove

Figure 11. Keywords bids costs (Amazon.com)

In addition to advertising on Amazon, we can also launch discount coupons to increase sales conversions.

The cost of coupons consists of two parameters - the equivalent of the discount percentage in dollars and \$0.6 for each buyback. In the case of promotions, the value of the coupon is determined as the equivalent of the discount percentage in dollars.

## 3.2 Data analysis

The following part of the thesis presents the analysis of the gathered data in the empirical part. The author introduces the results of the interviews with the case company followed by the competitive analysis results.

### 3.2.1 Results of interviews with ROBBO Oy

The interviews gave to the author an information to answer the first research question, but to be able to make a product research a come up with the recommendation author needed more information about the product such as price strategy, manufacturing price, product dimensions and detailed product characteristics.

Based on the answers and provided information it became possible to start a product research in order to analyze a niche of similar products, currently selling on Amazon, to get to know sales volumes, cashflow generation and potential profitability of the case company's product in case if the company will decide to enter Amazon marketplace.

ROBBO FINLAND Oy started operating on global markets since its foundation and has an aim to operate globally. The main products are educational robots with educational programs. Company's sales are constantly growing up due to attractive design, friendly interface and competitive price. Learning programs are easy to follow and understand which improves the learning process.

At the moment of interview ROBBO was presented in several EU countries, USA and Russia. The management of the company see educational institutions as their main customers, but also consumers. Therefore, they consider Amazon marketplace as a potential channel for USA and EU B2C and B2B markets.

ROBBO expects from Amazon to become one of the top channels to reach B2C customers in USA and Europe as well as create and develop brand awareness through Amazon customer review statistic.

This company is considered as a small company and it also has a limited budget, therefore, entering Amazon marketplace might affect its cashflow and the representatives of the company are worried about the risks to fail and are searching for reliable ways to start and run Amazon project.

### **3.2.2 Competitive analysis results**

In order to calculate the income from sales the chosen product on Amazon USA on a long term, two shipment calculations were made.

First one with 1 unit being sent to FBA and the second shipment with 100 of units. Were taken into consideration shipping costs, Amazon FBA fees and commission, potential sales volume at the competitive price level (Figure 12).

Besides, information about product defect rate, customers returns percentage and marketing costs was also taken into consideration to get the most accurate results which can be used to creating of a business plan.

Estimated profit from the sales on 101 units is expected to be 13793,13 dollars.

Figure 12. Calculation of costs and profit

ROBOT KIT + LAB								
Costs								
qty	1 set purchase price	shipping (air)	weight, kg	volume weight (200 kg / 1m3)	size, cm	fixed costs	Monthly costs	
1	\$ 264,00	\$ 3,19	1,2	1,21	29 x 19 x 11 cm	\$ -	\$ 7,87	
100	\$ 26 400,00	\$ 319,00	120	118,8		\$ -	\$ 787,38	
FBA			Margin					
Estimated retail price	FBA Fees Fulfillment	Monthly storage fee	Referral fee 15%	Profit	Amazon payouts	Investements	ROI	Income
\$ 483,00	\$ 5,26	\$ 0,17	\$ 72,45	\$ 130,06	\$ 405,12	\$ 275,06	47 %	\$ 137,93
\$ 48 300,00	\$ 526,00	\$ 16,87	\$ 7 245,00	\$ 13 005,75	\$ 40 512,13	\$ 27 506,38		\$ 13 793,13

Calculation of the number of returns and their cost / month		
Sales		50
Return percentage if the product is without defects		5 %
Return percentage if the item is defective		50 %
Return on sales percentage		7,25 %
The number of returns from sales, pcs.		3,6
The number of returns from sales, with a defect, pcs.		1,3
The number of returns from sales, without defect, pcs.		2,4
The cost of checking goods at the pre-center per unit		\$2,00
The cost of export-import of goods to the Amazon warehouse per unit		\$1,00
Amazon Fee for Return Processing		\$0,50
Checking goods for defects in the pre-center, which returned Amazon		\$3,75
The cost of returns when the goods go back to the warehouse		\$13,68
The cost of returns, defective goods do not go to the warehouse, go to the pre-		\$10,95
<b>Total monthly return costs</b>		<b>\$ 28,38</b>
Monthly expenses (first month)		
Amazon account fee		\$49,00
Autoresponder		\$10,00
Advertising costs (PPC)		\$700,00
Returns costs		\$28,38
<b>Total monthly</b>		<b>\$787,38</b>

Figure 12. Extra costs influencing margin

The calculation does not include one-time costs for product listing creation, possible consulting costs, other operational costs in the company. It's concerned to big variety of the

cost depending of the way how the company will maintain them and company structure, whether company has skilled employees or needs to outsource professionals.

#### **Distribution of demand in a niche between sellers.**

In comparison with other sellers, goods of 3 brands are in greater demand -Sphero, Ozobot, Wonder Workshop.

Brand	Category	Product rank	Monthly turnover	Price	Monthly sales	Reviews	Reviews rank	Seller
<b>Sphero</b>	<u>Remote- &amp; App- Controlled Figures &amp; Robotic Toys</u>	12	\$390,535	\$59.99	6510	2244	4.4	FBA
<b>Ozobot</b>	Toys & Games	1689	\$164,190	\$39.00	4210	265	4.4	FBA
<b>Sphero</b>	<u>Remote- &amp; App- Controlled Figures &amp; Robotic Toys</u>	8	\$161,968	\$49.99	3240	308	4.2	AMZN
<b>Wonder Workshop</b>	Toys & Games	4723	\$437,371	\$149.99	2916	459	4.2	AMZN
<b>Snap Circuits</b>	Industrial & Scientific	55	\$56,815	\$19.97	2845	5798	4.8	AMZN
<b>Kano</b>	Toys & Games	7770	\$218,671	\$80.78	2707	467	3.9	AMZN
<b>Really R.A.D Robots</b>	Toys & Games	573	\$67,892	\$26.51	2561	304	3.9	AMZN
<b>ELEGOO</b>	Industrial & Scientific	147	\$69,405	\$35.00	1983	899	4.6	AMZN
<b>Kano</b>	Toys & Games	22705	\$362,505	\$195.00	1859	54	4.2	AMZN
<b>LEGO</b>	Toys & Games	3185	\$90,212	\$159.95	564	432	4.3	AMZN
<b>SmartLab Toy</b>	Toys & Games	5031	\$14,923	\$31.35	476	301	4.7	AMZN

Figure 13. Competitors comparison data

#### **Determining the start date of sales of goods and the age of the niche**

In example of the LEGO MINDSTORMS EV3 31313 Robot Kit there is sales history of the product. The age of the coding robot niche is more than 5 years, the LEGO brand is the oldest in the niche. However, most of the competitors entered a niche relatively recently - in 2017, 2018 and 2019 (<https://www.amazon.com/dp/B00CWER3XY>).



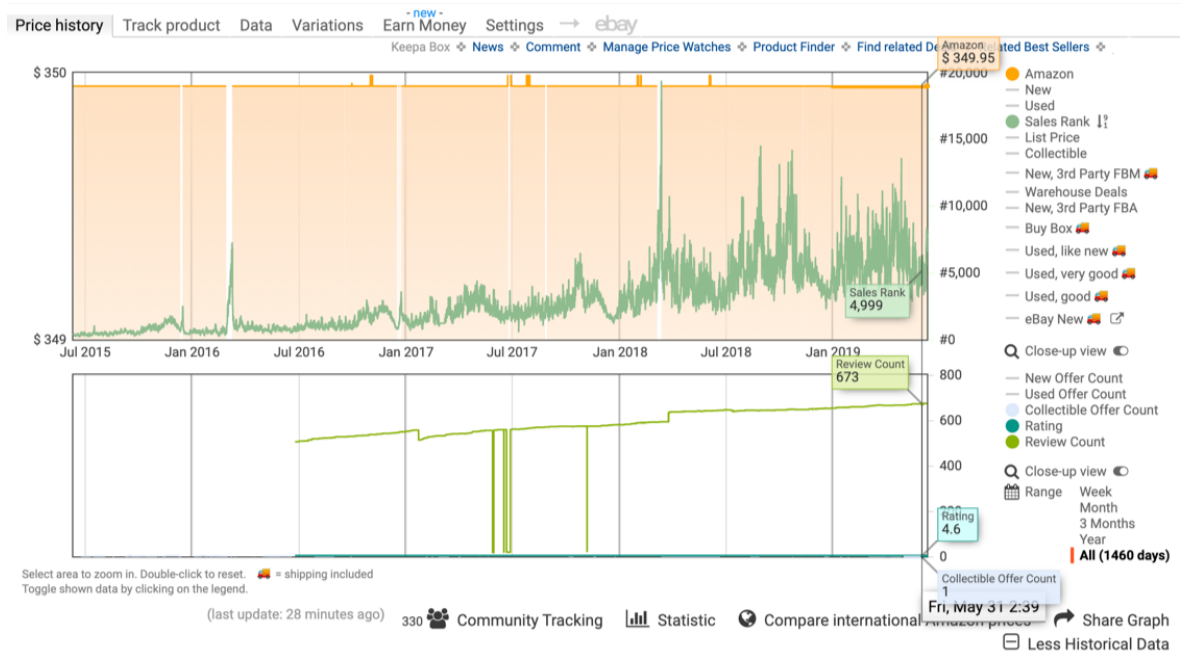


Figure 14. Sales history (Keepa.com)

### Determination of seasonality and trend direction.

The goods are off-season. Amazon sales peaks are in the New Year period (from early November to late December).

2/3 of sellers work according to the FBA (Fulfillment by Amazon) scheme - they bring goods and store them in Amazon warehouses.

Amazon itself sells goods like:

- used / like new goods at discounted prices that were returned by customers;
- as an Amazon.com seller, on behalf of vendors (major brands)

Amazon, seeing good quality and sales of goods, can offer you to conclude a contract (vendor central), as a result of which Amazon will redeem your goods at wholesale prices and provide advanced opportunities for sale on the listing.

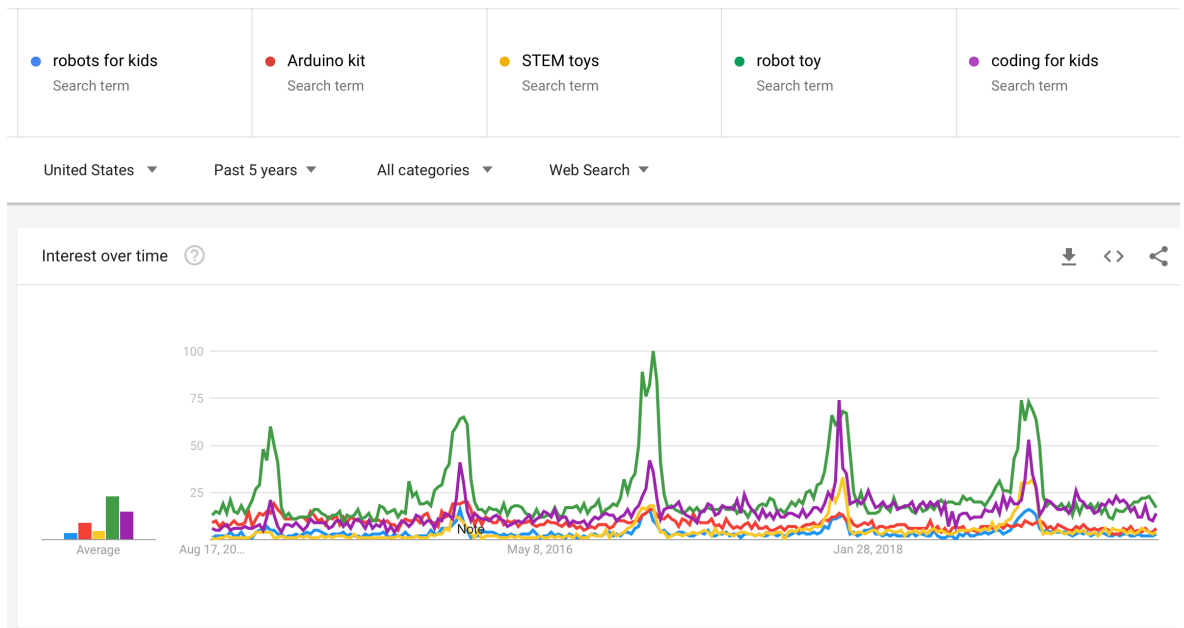


Figure 15. Google trends for given keywords during 5 years period (Google Trends)

## **4 Key results**

The research was split into two stages. First, two in-depth semi-structured interviews were conducted. One with an employee of ROBBO Finland Oy who assists in various marketing activities, and two with social media agencies from Helsinki. Afterwards, the interviews were analyzed qualitatively to get understanding of ROBBO Finland Oy's e-commerce strategies and plans to enter the market of USA.

After the author analysed all the collected data, he was able answer the research questions. The key results of the thesis are listed below.

### **4.1 Recommendation for SME located in Finland**

The research question:

Whether small or medium size company located in Finland is capable to enter Amazon marketplace and start this sales channel as a third-party seller?

Based on the analysis, the author could come to conclusion that small or medium size companies located in Finland are capable to enter Amazon marketplace and start this sales channel as a third-party seller because Amazon allows and supports international businesses and offers a distant operation without physical presence.

Also, it does not charge fee to start operation nor has a company's sales volumes requirements.

Based on logistics costs information, being in Finland, company might have affordable shipping prices to send products to Amazon fulfilment centers or send the products from any location other than Finland.

However, based on competitive analysis, not any company might succeed by selling its products on Amazon. Analysis shows that Amazon is a very competitive marketplace with comparably low margin for some products.

Besides, FBA program has storage fees and fulfillment fees which varies depending of product. Therefore, every company should do a deep qualitative research before the launch in order to determine whether its product will be sold successfully on Amazon.

## **4.2 Product launch recommendation for case company**

The research question:

Does the case company have a product which has potential to be successfully launched and sold on Amazon?

The studied model of ROBBO Lab + Robot Kit has no exact analogues on Amazon.com, and therefore the analysis of the niche was based on the most similar robot models with the ability to program external devices.

In the niche, such American brands as the start-up Wonder Workshop (actively cooperating with educational institutions), Sphero (the first robot was launched at the end of 2011), as well as the Chinese company UBTECH are in the lead. Their listings have the highest turnover, but not the largest number of reviews on products in the niche. These brands offer kits for building simple automation and robotics systems, aimed at non-professional users. Demand for this product is estimated as high.

The decisive role in choosing a product for potential customers can be played by such parameters and data as: the number of parts in the set, the completeness of the process in the manual, the complexity of constructing circuits and the cost of the set.

Since the maximum cost of a programming kit is \$349 in a niche, a successful launch of the Lab + Robot Kit at an estimated retail price of \$483 can take place when creating a conversion listing (training and interactive videos on the listing, advertising has been launched and configured on Amazon + parallel cooperation with educational institutions, bloggers and other opinion leaders). Since the planned retail price is higher than the TOP-5 sellers, it is recommended that the RRC be reviewed for its reduction for the first time for a set of reviews and promotion of the listing.

Also, Lab and Robot Kit are recommended for launch as stand-alone products. Thus, the cost of each product will decrease, and the product will be able to compete on the shelf. First of all, it is recommended to launch Lab with a lower cost of a set that can compete in a niche.

Since Wonder Workshop, Sphero, UBTECH maintain an undeniable leadership in the niche, it will be difficult to compete with them at the initial stage. The LEGO brand does not have a leading position in the niche of robots, as it focuses on the sale of building kits for games.

During the competitor and niche analysis the following advantages and disadvantages were identified.

*Advantages:*

- The first page in the niche has more than 2848 sales per month. Average sales for each seller - 1113 units.
- Most listings have ratings over 4.00. ROBBO Finland Oy can successfully stand out due to a better product and a higher rating.
- The small volume of requests from the first 5 keys makes the niche more targeted to the target audience without competing with irrelevant products.
- A small number of reviews from top sellers on the first page.
- Established production of goods.
- Weak frontend among competitors, you can stand out due to good photos and SEO-optimized texts.
- The ability to run three variations (Lab, Robot kit, Lab + Robot kit), the use of Amazon tools for resale.
- The goods are off-season.
- It is possible to conclude an agreement with Amazon on the sale of your product.
- Unique product + design of your own brand. Low risk hijackers.

*Disadvantages*

- Most items on the front page are also sold by Amazon. This gives an advantage to these listings in view of add. Amazon traffic.
- Low / zero brand recognition in the first stage can affect sales.
- Low conversion on sale due to the high retail value of the goods.

The niche is competitive, so it will be necessary to create a highly optimized listing (in which all keywords will be indexed and photos taken according to the sales funnel using 3D product modelling), to introduce positive aspects from the feedback of competitors' customers so that the product meets the needs of customers as accurately as possible, created additional demand and provided a faster payback.

The author's recommended strategy for launching and promoting the product in the TOP positions is moderately aggressive due to optimization of internal advertising on Amazon (PPC), receiving about 100 reviews, attracting external traffic via Facebook and Google Ads, setting up an autoresponder to collect organic product reviews. Thus, your listing's impressions will improve due to the growth of positions for key queries, and trademark registration in the USA (expenses \$210 - \$400) will increase the loyalty of potential customers to your brand on Amazon.

## **5 Discussion**

### **5.1 Conclusions to findings**

The author's suggestions contain practical and detailed analysis that can be taken into the whole business planning by ROBBO Finland Oy to successfully launch their products on Amazon. The outcome is based on the theoretical part and research methods' findings.

Based on the case company research results I can conclude that Amazon marketplace and third-party tools allows to make a reliable, based on data analysis and reduce risks of launch fail. Besides, it allows to assume that for some companies and products in Finland selling products is recommended. From other side this case study shows that there are many factors which influence the research results. Therefore, it is important to make a proper individual research for each company and product to reduce risks of failure.

### **5.2 Suggestions**

My suggestion is that this company has a potential for a successful launch on Amazon marketplace and this might be considered as one of sales channels which will bring brand awareness and profit. From another side the representatives of the company is recommended to take into consideration that the market is changing quite quickly and new competitors can join the niche. Therefore, it is important to constantly monitor the market in order to successfully compete on Amazon marketplace.

### **5.1 Personal learning**

From the start till the end of the thesis writing, I had several goals to accomplish. First of all, I wanted to come up with a relevant and useful topic for the commissioner who would be able to implement the findings and get fresh ideas and strategies for their business to grow healthy. Secondly, I was aiming to grow professionally and implement the knowledge I already possess and think outside of the box.

I could find a company who was interested in launching their product on Amazon, and then I could gather data needed for make an analysis. I designed a structure and defined goals required to create a reliable data analysis as well as I learned a lot about data collection process. Besides, I got valuable skills in communication with a real company and not a start-up, could find common goals and understand company's needs.

The world of e-commerce is changing so fast so that I also took part in the Amazon conference in Vilnius, on 13.09.2019. Also, I participated in 3 online webinars for Amazon sellers to stay up-to-date. At these webinars, I learnt about the latest launch strategies, advertising best practices and other marketing tips. Throughout the whole period of writing my thesis, I was searching for e-commerce and Amazon specific recommendations and trends.



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## **Apendices.**

### **Appendix 1. Interview questions. Interview 1, dated 9<sup>th</sup> of March 2019**

Title: General information about the company, products, strategies, plans for Amazon marketplace.

#### General

1. How long you have been working for ROBBO FINLAND OY?
2. Please tell about your company, what its main business activity?
3. What are your competitive advantages?
4. Which markets you currently cover and what are your plans for the next 2 years?

#### Products and customers

5. What it your main product? Is it physical product or intellectual?
6. Who are your customers? What is your customer segment?

#### Amazon Marketplace

7. Why would you like to join Amazon marketplace?
8. Do you have already Amazon account? Have you already started sales on Amazon?
9. Which markets would you like to join on Amazon?
10. What are your expectations from being present on Amazon?
11. Which resources you would be ready to invest?

### **Appendix 2. Interview questions. Interview 2, dated 16<sup>th</sup> of April 2019**

Title: Detailed information about the products aimed to be selling on Amazon

1. What product or set you plan to sell on Amazon
2. Where the product is produced?
3. What are product dimensions and weight?
4. What is production time and how many to you have in stock?
5. What it defects rate?
6. What is manufacturing (purchase) price?
7. What price you would like to sell it for?

8. Do you prefer bigger or lower margin?
9. What are delivery costs?